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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

RENEWAL OF EXPERIMENTAL CLASSIFICATION AND
FEES FOR WEIGHT-AVERAGED NONLETTER-SIZE
BUSINESS REPLY MAIL, 1999

Docket No. MC99-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS KIEFER TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-8 - T1-18)**

The United States Postal Service hereby files the responses of witness Kiefer to the following interrogatories of the Office of the Consumer Advocate, filed on March 31, 1999: OCA/USPS-T1-8 through T1-18.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 7, 1999
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OCA/USPS-T1-8. Explain the reference on page 4 of your testimony to "development of the technical resources" and "management oversight structure."

a. How do these requirements differ from those contemplated at the time of the initiation of the experiment?

b. When did the Postal Service first determine these tasks were required to finalize the experiment?

RESPONSE: (a) - (b) At the time that the experiment was initiated, it was not known what technical resources or management oversight structure would be best for permanent implementation of weight averaging. It always has been contemplated that the experiment would be utilized to identify and develop them. Determining what technical resources and management oversight structure would be best can only be described as an evolutionary process. We have not determined that these tasks are required to finalize the experiment. Rather, we have determined that the experiment can be used to best finalize the completion of these tasks.

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OCA/USPS-T1-9. Are the technical resources needed to resolve the weight-averaging method available at this time to resolve the problem?

RESPONSE: The necessary personnel are available. The weight averaging software has been developed and is being refined by witness Schenk, in conjunction with personnel at the experimental sites. Future testing will involve coordination with USPS Information Systems personnel and others, as appropriate.

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OCA/USPS-T1-10. What are the technical resources required, e.g., quantity of personnel, their skills, the anticipated costs, or special equipment not currently available in the Postal Service?

RESPONSE: USPS Headquarters personnel from Marketing Systems, Operations Support, Finance, Information Systems, and the Law Department, will confer with field personnel involved in administering the experiment to finalize implementation plans. As appropriate, personnel from other departments will be brought in. The aforementioned USPS Headquarters departments are routinely involved in rate and classification implementation (among other duties) and typically confer with field personnel during such activity. Christensen Associates, through witness Schenk, will continue to provide necessary support on administrative and technical issues. It is not known with precision how many people from each of the aforementioned departments will be involved or how much of their time will be devoted to these matters. It is not anticipated that implementation will involve special equipment not currently available to the Postal Service.

OCA/USPS-T1-11. Why were the technical resources needed to address these problems not deployed earlier in order to resolve the problems in time for the June 7 end of the experiment?

RESPONSE: As indicated in my testimony (USPS-T-1, at 3-4), our focus initially was on the investigative aspects of the experiment. Based upon information gathered during that phase, management determined that weight averaging should be established on a permanent basis and that the technical resources developed during the experiment should be further refined for that purpose. One of the critical results of our investigative efforts during the experiment was the identification of various operational problems that management has determined must be resolved before a permanent classification can be implemented. In response, we have already begun the development and deployment of resources needed to evaluate and implement solutions to these problems. We have also worked diligently to establish appropriate administrative oversight and to refine the computer hardware and software that is being used in the experiment, in order to ensure that permanent implementation is as technically proficient as we consider to be appropriate. It is not known whether a different approach could have resolved all technical issues by June 7.

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OCA/USPS-T1-12. Please explain why the approximately 90 days between the time of filling this request for an extension of the experiment and the June 7, termination date is insufficient to organize the appropriate management structure for proper implementation of a permanent classification and fees?

RESPONSE: Affected management components have a host of competing obligations and responsibilities. Even if 90 days is sufficient to resolve remaining administrative issues, we are still absolutely certain that the technical issues will not be resolved by then.

OCA/USPS-T1-13. When did any employee or consultant of the Postal Service first determine that additional work would be required to develop these technical resources?

RESPONSE: See response to OCA/USPS-T1-11.

OCA/USPS-T1-14. At page 6 of your testimony you state that "One solution that the Postal Service is currently considering would relocate the databases from the individual local PCs to a network, possibly a national postal network." (Emphasis supplied.)

- a. Does the "national postal network" to which you refer exist at the present time? If so, please describe it.
- b. Please explain what the current software consists of and exactly what you mean by "significant rewriting of the software."

RESPONSE:

(a) Yes. However, there are actually several national networks on which a nonletter-size BRM weight averaging program could be operated. We have not yet determined whether a national network solution is the appropriate one to pursue, nor have we yet evaluated all the network possibilities from a technical and administrative standpoint, so we have not yet reached the point where we can describe which postal network would be used.

(b) A description of the current software is given in the Appendix to witness Schenk's testimony (Docket No. MC99-2, USPS-T-3). The specifications for a network-based version of the software depend on what type of network the software would be resident on. In general, what may be required to convert the PC-based software to network-based software would be respecification of the databases, writing and testing of the communications links between the data entry PC and the network on which the databases would be resident, and development of software to be used by the system administrator to monitor the precision levels of the estimated revenues for each customer. The system administrator software is needed for either the network-based or PC-based version of the weight averaging software.

OCA/USPS-T1-15. At page 7 of your testimony you state that "Presently, the Postal Service is determining how best to manage a national roll-out of nonletter-size BRM weight averaging." (Emphasis supplied.) Please explain why there is a need for a "national roll-out" when there are currently only four sites using nonletter-size BRM weight averaging and witness Ellard's market survey identified, at most, 10 respondents with 11 sites which expected to take advantage of the proposed classification and fees.

RESPONSE: The Postal Service's request in Docket No. MC99-2 is for a permanent classification that is open to *all* sites/mailers that meet the criteria described in my testimony in that docket (USPS-T-4), irrespective of location. Therefore, in the context of nonletter-size BRM, development and preparation for the national roll-out is not fundamentally a function of the number of initial sites. Section III.B of my testimony in Docket MC99-1 (USPS-T-1) describes the management and administrative objectives that need to be completed, whether the Postal Service expects to implement a permanent weight averaging classification at ten sites or at hundreds. A national roll-out not only involves providing advance training to postal personnel involved in mail processing, delivery, accounting, and customer services at sites which are anticipated to be affected initially, but also to all components of postal management, at all levels, which oversee these functions. The need to develop standard national operating, administrative, and oversight procedures is what makes the implementation, or roll-out, national, not the number of sites we initially expect to participate.

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OCA/USPS-T1-16. Does the Postal Service anticipate adding any/all of these additional sites/customers during the extended experiment? If so, how many?

RESPONSE: The Postal Service does not know whether any additional mailers will seek to be included in the experiment, if the requested extension is implemented. It is our intention to apply the existing experiment participation criteria to any such applicants.

OCA/USPS-T1-17. At page 7 of your testimony you state that "A number of objectives must be completed in order to insure that the 'handoff' to the appropriate management function occurs as professionally and competently as possible." Then you list a number of these objectives. In light of the few sites expected to be able to take advantage of nonletter-size BRM weight averaging, please explain why such extensive procedures, training, and personnel are needed. Please compare and contrast this anticipated roll-out with the effort needed to implement some other postal service, e.g., delivery confirmation.

RESPONSE: The Postal Service does not consider the procedures, training, and personnel needed for implementation of the weight averaging method of nonletter-size BRM accounting to be "extensive." Witness DeMay's testimony in Docket No. MC97-1 (USPS-T-1) pointed out problems associated with the absence of implementation standards for weight averaging. The fact that relatively few sites are expected to employ this accounting method initially is no excuse for not ensuring that high standards of quality are implemented and enforced. Furthermore, the standard operating and administrative procedures that are being developed can also be applied in post offices where the weight averaging accounting method is warranted by the nature of the nonletter-size BRM mail stream, whether or not the recipients of this mail opt for the new fees. Therefore, these procedures, training and personnel have a potential application that is much broader than just the eleven sites identified by witness Ellard's market research.

It seems inappropriate to compare the Delivery Confirmation "apple" to the weight-averaged nonletter-size Business Reply Mail "orange." Establishment of an accounting function expected to affect a dozen, or even a hundred, Business Reply Mail recipients requires an implementation appropriate to the nature of the service and its impact upon affected operations and functions. Establishment of Delivery Confirmation, which is available to hundreds of millions of customers at every retail window and involves customer access via computer to postal data requires an implementation appropriate to the nature of the service and its

RESPONSE to OCA/USPS-T1-17 (Continued):

impact upon affected operations and functions. Each presents challenges unique to its circumstances.

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OCA/USPS-T1-18. In Docket No.MC97-1, Experimental Fees For Non-Letter Business Reply Mail, witness DeMay, USPS-T-1, testified extensively about weight averaging. At page 5 he stated:

Weight averaging is somewhat common in the Postal Service. Generally weight averaging is used for regular returned parcels, but it is also utilized for Business Reply Mail as well. There are no standard operating procedures for establishing and maintaining weight averaging. The sampling procedures for the initial sampling, as well as the procedures for updating the postage per pound factor, vary by site. This has resulted in inconsistencies. Also, in general, weight averaging has been designed and implemented by local postal employees who have little, or no, background or training in statistical methods. The primary objective of weight averaging is to move the mail faster. There is a need to see that statistically valid methods are developed and implemented at office utilizing weight averaging. The administration of these weight averaging methods needs to be improved to ensure the required updating of the cost per pound is completed. The collection of the proper postage and fees can be compromised when the frequency for updating the cost per pound is not maintained. The lack of these standardized procedures and the improper administration of the procedures currently in place have led to the utilization of weight averaging which is functional, but flawed.

- a. Does witness DeMay's testimony still reflect the views of the Postal Service? If not, please supply the current views of the Postal Service on weight averaging.
- b. If so, please describe and explain the relationship between his testimony and yours, particularly at page 6 where you state: "These and other needed software and/or hardware fixes will require time to resolve, but they must be complete and operationally secure before the Postal Service can begin the national implementation of weight averaging."

RESPONSE:

(a) - (b) With respect to the weight averaging of nonletter-size Business Reply Mail conducted before the current experiment was deployed, the testimony of witness DeMay represents the view of the Postal Service. The experiment has provided an opportunity for the Postal Service to successfully develop standards and methods for overcoming the flaws he identified.

RESPONSE to OCA/USPS-T1-18 (Continued):

With the assistance of Christensen Associates, the Postal Service has used the experiment to develop a nonletter-size BRM weight averaging software program which enhances the ease with which the weight averaging method can be implemented and operated, in ways which were not contemplated several years ago. Experience with the software has indicated that certain refinements should be implemented to prevent glitches which have occurred and to enhance the security of the system. The Postal Service has proposed the extension of the experiment to preserve the environment in which these improvements can best be developed and tested.

OCA/USPS-T1-19. Is the monthly fee collected "per site" as suggested by your Exhibit USPS-4A, column 3 in Docket No. MC99-2, or is the monthly fee collected "per customer" as suggested by the existing and proposed DMCS language in Fee Schedule 931, "Monthly Fees for customers using weight averaging for nonletter-size business reply?" (Emphasis supplied.)

RESPONSE: The intended interpretation of proposed Fee Schedule 931 is consistent with the current interpretation of Fee Schedule 931: The fees are charged to a customer at each postal facility where the weight averaging accounting method is employed for that customer.

DECLARATION

I hereby declare under penalty of perjury that the foregoing responses to interrogatories are true to the best of my knowledge, information, and belief.

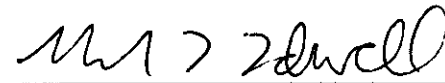
A handwritten signature in black ink, reading "James M. Kiefer", is written over a horizontal line.

James M. Kiefer

Date: 4-7-99

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being mailed today to all parties of record in accordance with Rule 12 of the Commission's Rules of Practice and Procedure.



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